

Message Text

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21

ACTION EB-07

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAGR, JA, ETRD

SUBJECT: PROPOSED CHANGES IN JAPAN TARIFF AND TAX ON IMPORTED WINE

PASS STR AND AGRICULTURE (FRASER/FITZSIMMONDS/SINDELAR)

1. CLADBECK CORPORATION, IMPORTER OF WINE INTO JAPAN, CONTACTED AGATTACHE REQUESTING U.S. PROTEST PROPOSED TARIFF AND TAX CHANGES ON WINE IN JAPAN. APPARENTLY, PROPOSED CHANGES COULD SHARPLY REDUCE BOTTLED WINE'S ACCESS TO JAPAN MARKET.

2. AGATTACHE HAS SEEN ENGLISH TRANSLATION OF PROPOSED CHANGES AND UNDERSTAND THEM AS FOLLOWS:

A. INCREASE THE ABOVE-THE-BARRIER RATE OF WINE TAX FROM 50 PERCENT TO 75 PERCENT. CURRENTLY, A BARRIER PRICE OF YEN 770 PER LITER (CIF COST PLUS DUTY IN THE CASE OF IMPORTED WINE) DETERMINES TAX RATE. IF PRICE IS YEN 770 OR ABOVE PER LITER, WINE TAX IS 50 PERCENT. IF BELOW YEN 770 PER LITER, WINE TAX IS YEN 24 PER LITER.

B. INCLUDE IN THE CIF COST, FOT COMPUTING THE BARRIER PRICE FOR WINE TAX PRUPOSES, AN ARBITRARY MRK-UP OF 20 PERCENT. THIS IS REPORTEDLY ENOUGH TO BOOST ALL IMPORTED

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BOTTLED WINE ABOVE THE YEN 770 BARRIER PRICE, FORCING

ALL BOTTLED IMPORTED WINE TO PAY THE HIGH A WINE TAX TOTALLING 75 PERCENT OF THE SUM OF CIF COST PLUS DUTY PLUS 20 PERCENT OF COST AND DUTY. MOST DOMESTIC WINE WILL CONTINUE TO BE TAXED AT YEN 24 PER LITER BECAUSE IT WILL BE BELOW THE BARRIER PRICE.

C. ABOLISH THE TARIFF ON IMPORTED BULK WINE. CURRENTLY, WINE IMPORTED IN CONTAINERS OF MORE THAN 150 LITER SIZE IS DUTIABLE AT YEN 160 PER LITER, GENERAL RATE, AND YEN 80 PER LITER, PREFERENTIAL RATE. REPORTEDLY, MOST BULK WINE IMPORTED LAST YEAR WAS AT THE YEN 80 PER LITER PREFERENTIAL RATE. WINE IMPORTED IN CONTAINERS OF 150 LITERS OR LESS (BOTTLED WINE) IS DUTIABLE AT YEN 320 PER LITER.

3. JAPAN WINERY ASSOCIATION REPORTEDLY PUSHING CHANGE IN DUTY AND TAX STRUCTURE TO:

A. LIMIT COMPETITION FOR DOMESTICALLY BOTTLED
B. LOWER THE COST OF IMPORTED BULK WINE WHICH IS USED TO BLEND WITH DOMESTIC PRODUCTION AND THEN BOTTLED AND SOLD AS QUOTE MADE IN JAPAN UNQUOTE WINE. (IN CY 1973, JAPAN'S DOMESTICALLY PRODUCED WINE CONSISTED OF 48 PERCENT IMPORTED BULK WINE AND 52 PERCENT WINE PRODUCED FROM DOMESTIC GRAPES.)

4. IF ENACTED, THE PROPOSED CHANGES IN IMPORTED WINE TARIFF AND TAX WOULD PROTECT THE DOMESTIC BLENDING, BOTTLING AND PACKAGING BUSINESS. HOWEVER, RESULTING DISCRIMINATION AGAINST IMPORTED BOTTLED WINE WOULD, APPARENTLY, CONSTITUTE AN UNWARRANTED BARRIER TO TRADE.

5. AGATTACHE UNDERSTANDS PROPOSAL IS BEING STUDIED BY GOJ TAX COMMITTEE AND THAT A DECISION IS EXPECTED BY DECEMBER 20, 1974. IF RECOMMENDED BY TAX COMMITTEE, PROPOSAL IS EXPECTED TO BECOME EFFECTIVE, BY LAW, PROBABLY APRIL 1, 1975.

6. CY 1973 JAPAN STATISTICS SHOW BULK IMPORTS OF WINE FROM U.S. TOTALLED 22,506 LITERS. BOTTLED WINE IMPORTS FROM THE U.S. TOTALLED 221,793 LITERS.
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UM EMBASSY PLANS TO RAISE THIS MATTER WITH GOJ TUESDAY DECEMBER 17 APPRECIATE RECEIPT OF ANY SPECIFIC INSTRUCTIONS BY THAT DATE.
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